Polarcus Limited

Unaudited Fourth Quarter and Preliminary Full Year 2009

UNAUDITED FOURTH QUARTER AND PRELIMINARY FULL YEAR 2009 REPORT – POLARCUS NADIA DELIVERED

HIGHLIGHTS

- Delivery of Polarcus Nadia
- Vessel number three, Polarcus Asima successfully launched to sea
- Backlog for first two vessels firmed up
- Polarcus Nadia commenced production in January 2010
- Delivery schedule revised without affecting vessel capital expenditure or existing contracts

Polarcus reached several important milestones in Q4 2009, with delivery of the first vessel, a successful launch of the third vessel and establishment of backlog for the first two vessels. The quarter was also characterized by increased bidding activity and mobilization for production on the first project.

In December, the company took delivery of the first seismic vessels in its new build program of initially four vessels. The 12 streamer 3D vessel Polarcus Nadia had a smooth transit to West Africa and commenced production on the prospect in January 2010. Polarcus was also awarded its first contract for Polarcus Naila in the quarter. She will commence a 1,500 square kilometres 3D seismic acquisition project offshore Cameroon, West Africa in Q1 2010.

THE COMPANY

Polarcus is a pure play marine geophysical company with a pioneering environmental agenda, specializing in high-end towed streamer data acquisition from Pole to Pole. The Company is investing in a purpose built 3D seismic fleet using the innovative ULSTEIN X-BOW® design and incorporating advanced maritime technologies for improved operational efficiency with a reduced environmental footprint. Polarcus offers contract seismic surveys and multi client projects worldwide and has its principal office in Dubai, United Arab Emirates. For more information, visit www.polarcus.com

FINANCIAL REVIEW

Key financial figures Amounts in USD thousands	Quarter ended December 31		Year ended December 31	
	2009 (Unaudited)	**2008** (Unaudited)	**2009** (Unaudited)	**2008** (Audited)
Revenues	Nil	Nil	Nil	Nil
Operating Income/(Loss)	(6,152)	(4,516)	(25,224)	(11,231)
Net Financial income/(Expenses)	315	13,986	6,190	8,843
Profit/(Loss) for the period	(5,837)	9,470	(19,034)	(2,388)
Vessels under construction			266,019	180,081
Property, plant and equipment			160,158	1,065
Total Assets (period end)			638,578	372,145
Total Liabilities (period end)			343,900	182,541
Total Equity (period end)			294,678	189,604
Equity Ratio			46%	51%

Operations

No revenue has been recognized in the fourth quarter as the first vessel commenced production in January 2010.

Capital investments

The total cash requirement of completing the four vessels is estimated at USD 714 million of which expenditures for seismic vessels and equipment are estimated at a total of USD 551 million and other expenditures at USD 163 million. Other expenditures include financing costs, costs related to option for vessels 7 and 8, SG&A, working capital and buyback options for the two vessels which were sold during restructuring. Expenditures for seismic vessels and equipment of USD 551 million are USD 34 million less than originally budgeted.

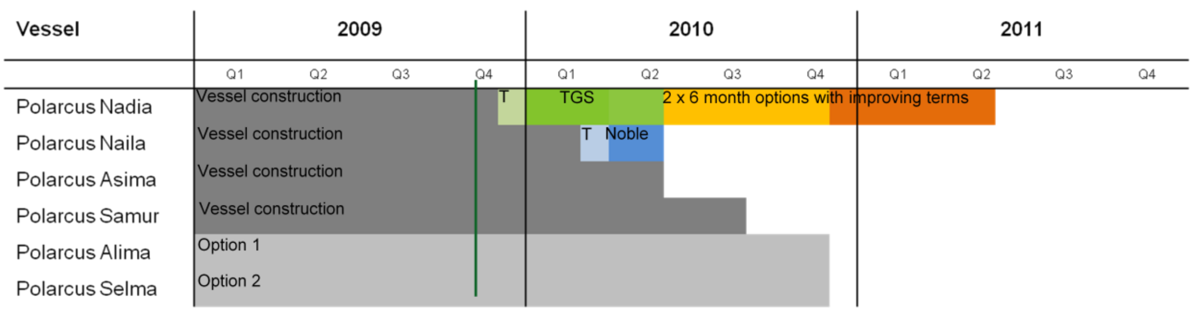
Please see the financial statements and notes for detailed financial information.

BACKLOG

As of 31 December 2009 approximately 75% of the available Q2 2010 capacity had been confirmed and 33% of the available Q3 2010 capacity had been secured subject to a right of first refusal option.

As is customary in the industry, Polarcus' contracts for services are occasionally modified by mutual consent and in certain instances they may be cancelled by the customer on short notice without penalty. Consequently, Polarcus' backlog as of any particular date may not be indicative of actual operating results for any succeeding period.

The backlog and vessel schedule as of 31 December 2009 was as follows:



NEW BUILD PROGRAM

Polarcus took delivery of Polarcus Nadia, one of the most environmentally sound 12 streamer 3D seismic vessels in the industry. The vessel was built at Drydocks World – Dubai.

In the Q3 2009 report Polarcus guided a revised delivery schedule with no increase to vessel capital expenditure. The work at the yard has since progressed well hence the guided delivery schedule and the estimated total vessel capital expenditure remains unchanged.

The vessel delivery schedule with progression per 31 December 2009 was as follows:

Vessel	Completion per 311209			To be delivered
	Steel cut	Steel constructed	Overall Construction	
Polarcus Naila – 12 streamer vessel	100%	100%	95%	February 2010
Polarcus Asima – 12 streamer vessel	100%	95%	77%	Q2 2010
Polarcus Samur – 6 streamer vessel	100%	94%	61%	Q3 2010

Polarcus Asima was launched to sea in December 2009. She is the third vessel in the Polarcus fleet and the first with the high ice class notation, ICE-1A, enabling her to operate safely and effectively in the Arctic.

Polarcus Selma and Polarcus Alima, which Polarcus has options to repurchase, are scheduled for delivery in Q4 2010.

ORGANIZATION

The recruitment of experienced high calibre professionals continued in the fourth quarter. At the end of the year Polarcus had 186 employees; 26 more than at the end of third quarter.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Polarcus Nadia commenced production

Polarcus announced 25 January 2010 that after a successful mobilization, the seismic vessel Polarcus Nadia has entered into production on its first project, offshore Liberia. The contract was the previously announced Seismic Charter Agreement that Polarcus entered into with TGS on 10 December 2009. The survey is being acquired with a 10 streamer seismic array, each streamer being 7,200 meters long and with 100 meters separation between streamers.

Nadia is now in full production in Liberia. The 10 streamer spread was deployed successfully and the first production shots were fired within 10 days of departing Monrovia. Production is progressing with daily revenues as per forecast. The vessel has proved she can tow a large spread efficiently and at good speed.

FINANCIAL STATEMENTS

Interim Consolidated Income Statement

		Quarter ended		Year ended	
		31-Dec-09	**31-Dec-08**	**31-Dec-09**	**31-Dec-08**
(In USD)	Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues		-	-	-	-
Vessel operating expenses		(804,898)	-	(804,898)	-
Sales, general and administrative costs		(4,843,210)	(4,465,284)	(18,553,484)	(11,143,543)
Depreciation		(504,440)	(51,601)	(717,590)	(88,067)
Impairment of vessels under construction		-	-	(5,148,203)	-
Operating income/(loss)		**(6,152,548)**	**(4,516,885)**	**(25,224,175)**	**(11,231,610)**
Financial income/(expenses)					
Finance costs	9	(2,261,823)	(3,701,702)	(4,945,994)	(5,074,641)
Finance income	10	2,577,117	17,688,160	11,136,147	13,918,040
Net financial income/(expenses)		**315,294**	**13,986,458**	**6,190,153**	**8,843,399**
Profit/(Loss) for the period before tax		**(5,837,254)**	**9,469,573**	**(19,034,022)**	**(2,388,211)**
Income tax expense		-	-	-	-
Profit/(Loss) for the period		**(5,837,254)**	**9,469,573**	**(19,034,022)**	**(2,388,211)**
Profit/(Loss) per share for loss attributable to the equity holders during the period					
- Basic		**(0.022)**	**0.093**	**(0.089)**	**(0.036)**
- Diluted		**(0.025)**	**(0.034)**	**(0.114)**	**(0.120)**

Interim Consolidated Statement of Comprehensive Income

	Quarter ended		Year ended	
	31-Dec-09	**31-Dec-08**	**31-Dec-09**	**31-Dec-08**
(In USD)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Profit/(Loss) for the period	**(5,837,254)**	**9,469,573**	**(19,034,022)**	**(2,388,211)**
Net gain/(loss) on cash flow hedges	(2,763,911)	(2,038,961)	4,589,433	(4,589,433)
Other comprehensive income/(loss) for the period	**(2,763,911)**	**(2,038,961)**	**4,589,433**	**(4,589,433)**
Total comprehensive income/(loss)	**(8,601,165)**	**7,430,612**	**(14,444,589)**	**(6,977,644)**

Interim Consolidated Balance Sheet

(In USD)	Notes	31-Dec-09 (Unaudited)	31-Dec-08 (Audited)
ASSETS			
Non current assets			
Property, plant and equipment	3	160,157,928	1,064,629
Vessels under construction	4	266,018,616	180,080,689
Vessels buyback options	5	40,830,823	-
Intangible assets		4,278,837	584,172
Restricted cash - Long term		1,362,057	735,696
Total non current assets		**472,648,261**	**182,465,186**
Current assets			
Inventories		1,053,690	-
Prepaid expenses		13,263,582	420,340
Other current assets		1,126,030	422,972
Restricted cash - Short term		35,162,910	83,582,779
Cash and bank		115,323,419	105,253,909
Total current assets		**165,929,631**	**189,680,000**
TOTAL ASSETS		**638,577,892**	**372,145,186**
EQUITY and LIABILITIES			
Equity			
Issued share capital	6	5,263,497	2,035,719
Share premium		303,581,958	188,641,420
Other reserves		7,254,821	5,904,265
Retained earnings/(loss)		(21,422,233)	(6,977,644)
Total equity		**294,678,043**	**189,603,760**
Non current liabilities			
13% Senior secured bonds		53,496,362	53,191,115
8.5% Convertible bonds		30,130,751	29,131,763
Advance from sale lease-back fund		67,744,718	-
Long-term finance lease	7	100,835,939	-
Other long-term debt	8	7,250,371	-
Liability for warrants	6	3,206,589	10,934,452
Employee pension accrual		933,022	27,666
Total non current liabilities		**263,597,752**	**93,284,996**
Current liabilities			
Interest payable		5,305,818	4,708,551
Employee accruals and payables		2,292,836	295,850
Other accrued expenses		3,862,428	125,892
Deferred payments to vendors		29,138,415	-
Long-term finance lease current portion	7	9,123,452	-
Other long-term debt current portion	8	4,326,652	-
Accounts payable		26,252,496	84,126,137
Total Current Liabilities		**80,302,097**	**89,256,430**
TOTAL EQUITY and LIABILITIES		**638,577,892**	**372,145,186**

Interim Consolidated Cash Flow Statement

(In USD)	Quarter ended 31-Dec-09 (Unaudited)	Quarter ended 31-Dec-08 (Unaudited)	Year ended 31-Dec-09 (Unaudited)	Year ended 31-Dec-08 (Audited)
Cash flows from operating activities				
Profit/(loss) for the period before tax	(5,837,254)	9,469,573	(19,034,022)	(2,388,211)
Adjustment for:				
Depreciation	504,440	51,601	717,590	88,067
Impairment of vessels under construction	-	-	5,148,203	-
Loss on sale of subsidiaries	-	-	353,421	-
Changes in fair value of financial instruments	(1,239,726)	(13,623,760)	(7,727,863)	(7,781,936)
Stock Options compensation provision	343,953	326,800	1,350,556	879,888
Interest income	(60,389)	(710,519)	(414,729)	(2,070,318)
Working capital adjustments:				
Increase in current assets	3,755,631	324,212	(14,599,990)	(843,312)
Increase in trade and other payables and accruals	9,842,769	(817,847)	12,660,411	1,403,677
Net cash flows from operating activities	**7,309,424**	**(4,979,940)**	**(21,546,423)**	**(10,712,145)**
Cash flows from investing activities				
Decrease/(Increase) in restricted cash	(8,163,333)	(6,232,901)	47,793,508	(84,318,475)
Purchases of property, plant and equipment	(50,935,873)	(28,512,655)	(255,969,503)	(93,123,792)
Payments for vessels buyback options	-	-	(40,830,823)	-
Payments to acquire intangible assets	(152,709)	(241,984)	(294,665)	(584,172)
Interest income	-	82,319	220	268,081
Net cash flows used in investing activities	**(59,251,915)**	**(34,905,222)**	**(249,301,263)**	**(177,758,358)**
Cash flows from financing activities				
Proceeds from the issuance of ordinary shares	-	-	124,624,500	211,971,855
Transaction costs on issue of shares	(411,903)	-	(6,456,184)	(2,578,328)
Proceeds from the issuance of senior secured bonds	-	-	-	53,075,000
Proceeds from the issuance of convertible bonds	-	-	-	33,775,000
Receipt from sale lease-back fund	36,746,117	-	157,744,718	-
Interest income	60,389	710,519	414,729	2,070,318
Net cash flows from financing activities	**36,394,603**	**710,519**	**276,327,763**	**298,313,845**
Hedged gain/(loss) on revaluation of restricted cash (Other Reserves)	(2,763,911)	(4,589,433)	4,589,433	(4,589,433)
Net increase/(decrease) in cash and cash equivalents	**(18,311,799)**	**(43,764,075)**	**10,069,510**	**105,253,909**
Cash and cash equivalents at the beginning of the period	133,635,218	149,017,984	105,253,909	-
Cash and cash equivalents at the end of the period	**115,323,419**	**105,253,909**	**115,323,419**	**105,253,909**

Interim Consolidated Statement of Changes in Equity

(in USD)	Number of Shares	Issued Share capital	Share Premium	Other Reserves	Retained Earnings/ (Loss)	Total Equity
17 December 2007 at USD 1.00 per share	1	0.01	0.99	-	-	**1**
Balance as at 1 January 2008	**1**	**0.01**	**0.99**	**-**	**-**	**1**
Total comprehensive income/(loss) for the period		-	-	-	(6,977,644)	(6,977,644)
Issue of share capital						
9 February 2008 at USD 1.00 per share	49,999,999	500,000	49,499,999	-	-	49,999,999
18 March 2008 at USD 1.00 per share	3,786,855	37,869	3,748,986	-	-	3,786,855
19 May 2008 at USD 1.00 per share	85,000,000	850,000	84,150,000	-	-	85,000,000
21 May 2008 at USD 1.00 per share	20,000,000	200,000	19,800,000	-	-	20,000,000
29 June 2008 at USD 1.00 per share	2,785,000	27,850	2,757,150	-	-	2,785,000
2 July 2008 at USD 1.20 per share	42,000,000	420,000	49,980,000	-	-	50,400,000
Transaction costs on issue of shares		-	(2,578,328)	-	-	(2,578,328)
Issue of warrants to shareholders		-	(18,716,388)	-	-	(18,716,388)
Issue of convertible bonds		-	-	5,024,377	-	5,024,377
Employee stock options provision		-	-	879,888	-	879,888
Balance as at 1 January 2009	**203,571,855**	**2,035,719**	**188,641,420**	**5,904,265**	**(6,977,644)**	**189,603,760**
Total comprehensive income/(loss) for the period		-	-	-	(14,444,589)	(14,444,589)
Consolidation of share capital						
11 September 2009 (at 2:1 from USD 0.01 to USD 0.02 per share)	(101,785,928)	-	-	-	-	-
Issue of share capital						
17 September 2009 to avoid fractional shares after consolidation	3.50	-	-	-	-	-
29 September 2009 at NOK 4.50 (USD 0.77) per share	161,388,889	3,227,778	121,396,722	-	-	124,624,500
Transaction costs on issue of shares			(6,456,184)	-	-	(6,456,184)
Employee stock options provision		-	-	1,350,556	-	1,350,556
Balance as at 31 December 2009	**263,174,820**	**5,263,497**	**303,581,958**	**7,254,821**	**(21,422,233)**	**294,678,043**

Notes to the consolidated financial statements

1. General Information

The interim condensed consolidated financial statements of Polarcus Limited (the "Company") and its subsidiaries (together the "Group") for the period ended 31 December 2009 were authorized for issue in accordance with a resolution of the Board of directors on 10 February 2010.

Polarcus Limited is a pure play marine geophysical company with a pioneering environmental agenda, specialising in high-end towed streamer data acquisition from Pole-to-Pole.

Polarcus Limited was incorporated on 17 December 2007 in the Cayman Islands with its registered office at Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands. The Group has its main administration office in Dubai, United Arab Emirates.

The Group's first 12 streamer 3D vessel, Polarcus Nadia, was delivered in December 2009. All four vessels in the Polarcus fleet will be fully operational within 2010.

1.1 Financing

The total cash requirement of completing the four vessels is estimated at USD 714 million of which expenditures for seismic vessels and equipment are estimated at a total of USD 551 million and other expenditures at USD 163 million. Other expenditures include financing costs, costs related to option for vessels 7 and 8, SG&A, working capital and buyback options for the two vessels which were sold during restructuring. Expenditures for seismic vessels and equipment of USD 551 million are USD 34 million less than originally budgeted.

As of 31 December 2009, the Group has secured the following financing totalling USD 737 million:

Equity	USD 337 million
Senior secured bond	USD 55 million
Convertible bond	USD 35 million
Sale & lease back (on first two vessels)	USD 180 million
Vendor financing	USD 50 million
Loan facility	USD 80 million

Accordingly, the Group has secured the financing required to complete the construction of its four vessels including the working capital requirement of the Group.

The Group has, through an amendment to the shipbuilding contract for Polarcus Asima dated 29 July 2009, entered into a deferred payment arrangement with the shipyard under which all but one instalment due under the original shipbuilding contract are deferred from the scheduled milestone payment dates to the actual delivery date of the vessel. The total value of the deferred instalments amounts to USD 29 million. An interest rate of LIBOR + 3% per annum applies on each deferred instalment from the time such instalment would have been paid under the original shipbuilding contract to the time of the contractual delivery date and thereafter an interest rate equal to the higher of LIBOR + 3% and 7% per annum applies until actual delivery of the vessel.

1.2 The going concern assumption

These interim condensed consolidated financial statements are presented based on the going concern assumption under International Financial Reporting Standards.

2. Significant Accounting Policies

These interim condensed consolidated financial statements for the period ended 31 December 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2008.

The accounting policies applied by the Group in these interim condensed consolidated financial statements are consistent with those applied in the audited consolidated financial statements for the year ended 31 December 2008 unless otherwise stated. Refer to Note 2 *Summary of Significant Accounting Policies* to the Consolidated Financial Statements in the 2008 Annual Report for information on the Company's accounting policies.

2.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of Group's activities. Revenue is disclosed net of discounts, rebates, returns and sales taxes or duty and after eliminating sales between Polarcus group companies. The Group defers the unearned component of payments received from customers for which the revenue recognition requirements have not been met.

The Group's revenue recognition policy on different types of revenue is described below;

2.1.1 Sales of Multi Client library data

Late sales

The Group grants a license to a customer, which entitles the customer to have access to a specifically defined portion of the MultiClient data library. The customer's license payment is fixed and determinable and typically is required at the time that the license is granted. The Company recognizes revenue for late sales when the customer executes a valid license agreement and has received the underlying data or has the right to access the licensed portion of the data and collection is reasonably assured.

Pre-funding arrangements

The Company obtains funding from a limited number of customers before a seismic project is commenced. In return for the pre-funding, the customer typically gains the ability to direct or influence the project specifications and access data as it is being acquired at discounted prices. The Company recognizes pre-funding revenue as the services are performed on a proportional performance basis. Progress is measured in a manner generally consistent with the physical progress on the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

2.1.2 Proprietary sales/contract sales

The Company performs seismic services under contract for a specific customer, whereby the seismic data is owned by that customer. The Company recognizes proprietary/contract revenue as the services are performed and become chargeable to the customer on a proportionate performance basis over the term of each contract. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

2.1.3 Other services

Revenue from other services is recognized as the services are performed, provided all other recognition criteria are satisfied.

2.2 New policies and standards adopted in 2009

The amendment to IAS 1 affects the presentation of owner changes in equity and of comprehensive income and does not impact on recognition and measurement as required by any other IFRS standards. The Group has presented a Consolidated Statement of Comprehensive Income separately, which includes all non-owner changes in shareholders' equity.

3. Property, plant and equipment

(In USD)

	Seismic vessels and equipment	Furniture and fixtures	Office IT equipment	Office equipment under construction	Total
Costs					
Balance at 1 January 2009	-	528,697	482,372	141,627	1,152,696
Additions	159,692,028	21,638	164,873	-	159,878,539
Disposals	-	-	-	141,627	141,627
Balance as at 31 December 2009	159,692,028	550,335	647,245	-	160,889,608
Depreciation and impairment losses					
Balance at 1 January 2009	-	40,798	47,269	-	88,067
Depreciation for the period	416,990	108,145	118,478	-	643,613
Disposals	-	-	-	-	-
Balance as at 31 December 2009	416,990	148,943	165,747	-	731,680
Carrying amounts					
As at 1 January 2009	-	487,899	435,103	141,627	1,064,629
As at 31 December 2009	**159,275,038**	**401,392**	**481,498**	**-**	**160,157,928**

In December 2009, the Group took delivery of its first vessel, Polarcus Nadia. The cost of the vessel incurred up to the delivery was USD 114.4 million. The cost of streamer equipment included in Property, plant and equipment is USD 45.3 million.

4. Vessels under construction

The vessels under construction are capitalized at cost amounting to USD 257 million as at 31 December 2009. This value is made up as follows;

(In USD)

Vessel Name	Polarcus Naila	Polarcus Samur	Polarcus Asima	Construction Option 1	Construction Option 2	Total
Vessel Type	SX 124	SX 133	SX 134	SX 134	SX 134	
Vessel and equipment	91,188,890	60,058,570	86,581,572	3,769,273	3,769,273	245,367,579
Project Overheads	2,596,764	1,648,768	1,780,854	-	-	6,026,386
Project Financing costs	247,714	10,282,227	4,094,710	-	-	14,624,651
WIP value per vessel	**94,033,368**	**71,989,565**	**92,457,136**	**3,769,273**	**3,769,273**	**266,018,616**

The vessel Polarcus Samur is pledged as security for the senior secured bond loan and interest accrued thereon. The vessel Polarcus Naila is subject to a sale and lease-back financing arrangement. The details of both these financing arrangements are available in the audited consolidated financial statements for the year ended 31 December 2008.

The Group has on 14 September 2009 entered into a facility agreement with Eksportfinans ASA and DVB Bank SE for a USD 80 million loan facility. The Eksportfinans tranche of the facility (USD 55 million) relates to financing of Norwegian equipment onboard the vessels Polarcus Samur and Polarcus Asima. This has been guaranteed by the Norwegian Guarantee Institute for Export Credits (GIEK). The DVB Bank tranche (USD 25 million) relates to financing of vessel "Polarcus Asima". The vessel "Polarcus Asima" has been pledged as security for this loan facility. The facility can be drawn post delivery of the vessel from the shipyard.

Commitments outstanding under vessel construction contracts as at 31 December 2009 are as per below;

(In USD)

Vessel Name	Polarcus Nadia	Polarcus Naila	Polarcus Samur	Polarcus Asima	Constructi on Option1	Constructi on Option2	Total
Vessel Type	SX 124	SX 124	SX 133	SX 134	SX 134	SX 134	
Total commitments	113,823,882	109,819,121	103,488,030	133,609,527	3,769,273	3,769,273	468,279,108
Total spent	111,866,260	93,785,654	61,707,338	88,362,426	3,769,273	3,769,273	363,260,225
Outstanding commitments	**1,957,622**	**16,033,467**	**41,780,692**	**45,247,102**	**-**	**-**	**105,018,883**

All of the above commitments are due within one year from the reporting date. Related to the two options the Company is committed to pay a cancelation fee of approximately USD 2 million if the options are not exercised before October 2010.

5. Vessel buyback options

On 30 July 2009 the Group sold two of its vessel owning entities Polarcus 4, owning the rights to Polarcus Selma, and Polarcus 6, owning the rights to Polarcus Alima to its main founders Zickerman Holding Limited and Zickerman Group Limited (together "ZL"). ZL will complete the maritime work on Polarcus Selma and Polarcus Alima and include all fixed equipment that is required in order to constitute each vessel as a fully prepared seismic vessel. Polarcus has cancelled the orders for movable seismic and positioning equipment related to these vessels.

The Group has received an option from ZL to repurchase each of Polarcus Selma and Polarcus Alima or the corresponding vessel owning companies at a price equal to the remaining cost of completing each vessel. The options are valid until delivery of each vessel, and subsequently are replaced with a right of first refusal to purchase each of the vessels. The Group had already invested USD 46 million in these two vessels at the date of sale. An impairment loss of USD 5 million was recorded relating to prepaid seismic equipment that was cancelled, capitalized internal interest costs and expenses. The remaining carrying value of respectively USD 20 million for Polarcus Selma and USD 21 million for Polarcus Alima will be subtracted from the purchase price if the Group exercises its right to repurchase one or both of these vessels. This amount is shown as Vessel buyback options under Noncurrent assets in the Group's Consolidated Balance Sheet. If the options are exercised, which is the current intention of management, additional financing of approximately USD 250 million will be required. If the Group chooses not, or is unable, to exercise the buyback options the above values will be written-off as an impairment loss.

(In USD)

	Polarcus Selma	**Polarcus Alima**	**Total**
Total amount invested by the Group as at the date of sale	22,060,204	23,918,822	45,979,026
Impairment loss booked	(2,152,915)	(2,995,288)	(5,148,203)
Value of vessels buyback options as at 31 December 2009	**19,907,289**	**20,923,534**	**40,830,823**

Polarcus will continue to supervise the ongoing construction of the vessels and liaise with the suppliers of equipment related to the vessels. The cost related to this work is estimated to USD 1.7 million per vessel (USD 3.4 million in total) and is recorded as an intangible asset with credit in other accrued expenses as consideration for the options to buy back vessels Polarcus Selma and Polarcus Alima. If the Group chooses not, or is unable, to exercise the buyback option(s) the USD 1,7 million per vessel will be written-off as an impairment loss.

6. Share capital, share options and warrants

6.1 Share capital

The total issued share capital of the Company as at 31 December 2009 is USD 5,263,497 divided into 263,174,820 shares at a par value of USD 0.02.

As at 1 January 2009 the Company had issued and paid-in share capital of USD 2,035,718.55 divided into 203,571,855 shares at a par value of USD 0.01. On 11 September 2009 an Extraordinary General Meeting of the Company consolidated the 203,571,855 issued shares of par value USD 0.01 each into 101,785,927.50 issued shares of par value USD 0.02 each. Shareholders holding an odd number of shares as of 11 September were rounded up in the consolidation to mitigate fractions of shares. Consequently, the Company issued 3.5 new shares on 17 September 2009 resulting in an issued share capital of USD 2,035,719 divided into 101,785,931 Shares of par value USD 0.02 each.

On 27 September 2009 subsequent to the Company's Initial Public Offering, the Board of Directors of the Company resolved to issue 161,388,889 new shares at a par value of USD 0.02 each. These shares were fully paid in on 29 September 2009.

6.2 Warrants

The Group has issued 21,250,000 warrants to the founding share holders, each giving the right to subscribe for one new ordinary share. All the warrants were issued on 14 March 2008 and no further warrants were issued during the year ended 31 December 2009. The warrants have been determined to be a liability because they fail to meet the requirements of fixed amount of cash or fixed amount of a Company's own shares as required by IAS 32. Consequently, the fair value of the warrants at the issue date of USD 18.7 million has been recorded as a distribution to shareholders directly in Equity. Subsequent to issuance, the liability is recorded at fair value at each balance sheet date and the resulting change in fair value is recognized in the income statement within changes in fair value of financial instruments – net. A gain of USD 7,727,863 has been recorded during the year ended 31 December 2009. Also refer to Note 9 *Finance costs* and Note 10 *Finance income*. As at 31 December 2009 no warrants were exercisable.

6.3 Stock options

The Group has granted share options to executive management and other selected employees. As at 31 December 2009 the Group has issued 4,525,000 options of which 825,000 were issued during the year ended 31 December 2009. The total fair value of options granted up to 31 December 2009 is USD 4.11 million calculated using the Black-Scholes model, assuming all options will be exercised. For the year ended 31 December 2009, the Group has expensed USD 1,350,556 towards stock options granted as employee compensation. As at 31 December 2009 none of the options were exercisable.

7. Long-term finance lease

Upon delivery on 14 December 2009, the vessel Polarcus Nadia was sold to GSH2 Seismic Carrier I AS (the 'lessor') according to the sale lease-back financing arrangement entered into on 30 June 2008 and as amended on 29 July 2009. The purchase price of USD 90,000,000 had been fully paid by the lessor to the Group in installments throughout the vessel construction period. Immediately upon the sale of the vessel, the Group leased back the vessel from the lessor at a fixed charter rate of USD 35,000 per day, payable in arrears throughout the duration of the charter period. This arrangement falls under the category of finance lease as described under IAS 17. Accordingly at the inception of the lease USD 90,000,000 has been recorded as a liability.

On 7 June 2009 the Company entered into a lease agreement with Sercel Inc, Houston to acquire marine acquisition equipment (the "streamer systems"). The duration of the lease is 30 months and the Company has an option to purchase the streamer systems at any time during the lease period. As per the terms of the lease agreement, the lease period for a part of the streamer systems commenced on 1 September 2009. At the inception of the lease, a liability of USD 22,603,893 being the fair value of the streamer system has been recorded as a liability.

The outstanding liability for above mentioned finance leases as of 31 December 2009 are further classified into long term and short term portions as per below;

(In USD)

	after 12 months from 31-Dec-2009	**within 12 months from 31-Dec-2009**	**Total**
Lease payments for vessel Polarcus Nadia	87,573,391	1,967,284	89,540,675
Lease payments for streamer systems	13,262,548	7,156,168	20,418,716
Total liability	**100,835,939**	**9,123,452**	**109,959,391**

8. Other long-term debt

The Company has acquired some of the streamer systems from Sercel Inc, Houston by way of a 40% down payment. The remaining 60% of the purchase price is payable through 36 monthly instalments including interest at 8% per annum. The streamer system has been pledged as security for this arrangement. The total value of equipment acquired under this arrangement is USD 22,631,523. As at 31 December 2009, the Company has paid USD 11,054,500 against the total liability and the remaining liability has been classified in to long term and short term portions as per below;

(In USD)

Installments due after 12 months from 31 December 2009	7,250,371
Installments due within 12 months from 31 December 2009	4,326,652
Total outstanding liability	**11,577,023**

9. Finance costs

Finance costs comprise the following for the periods presented;

(In USD)

	Quarter ended		Year ended	
	31-Dec-09	**31-Dec-08**	**31-Dec-09**	**31-Dec-08**
Interest accrued on senior secured bond	1,867,261	1,741,054	7,455,248	2,979,167
Interest accrued on convertible bond	1,004,420	648,290	3,973,984	1,239,583
Interest accrued on deferred payments to the shipyard	314,286	498,800	588,264	498,800
Interest accrued other financing arrangements	1,197,255	-	1,197,255	-
Interest expenses capitalized to the vessels	(2,544,374)	(2,888,144)	(10,737,830)	(4,717,550)
Net interest expenses	**1,838,848**	**-**	**2,476,921**	-
Realized currency exchange loss	227,961	293,187	1,251,232	1,280,881
Unrealized currency exchange loss	195,014	3,408,515	864,420	3,793,760
Loss on sale of subsidiaries	-	-	353,421	-
Total	**2,261,823**	**3,701,702**	**4,945,994**	**5,074,641**

10. Finance income

Finance income comprises the following for the periods presented;

(In USD)

	Quarter ended		Year ended	
	31-Dec-09	**31-Dec-08**	**31-Dec-09**	**31-Dec-08**
Interest income from deposit with banks	60,169	710,519	414,729	2,338,399
Interest income offset against capitalized interest expenses	-	(82,319)	(220)	(268,081)
Net interest income	**60,169**	**628,200**	**414,509**	**2,070,318**
Realized exchange gain	105,821	2,490,254	555,802	2,789,042
Unrealized exchange gain	1,171,401	297,656	2,437,973	1,276,744
Financial liabilities measured at fair value through profit and loss	1,239,726	14,272,049	7,727,863	7,781,936
Total	**2,577,117**	**17,688,160**	**11,136,147**	**13,918,040**

The financial liabilities measured at fair value through the income statement represent the profit on revaluation of fair value of liabilities on warrants issued. Also refer to Note 6 *Share capital, share options and warrants*.

11. Related-party transactions

Zickerman Holding Limited and Zickerman Group Limited (together "ZL"), the founders of the Company, together hold 19.74% of the paid-in share capital of the Company. On 30 July 2009 the Company entered into a sales agreement with ZL to sell two subsidiaries Polarcus 4, owning the rights to the vessel Polarcus Selma, and Polarcus 6, owning the rights to the vessel Polarcus Alima for a consideration of USD 1 each. ZL will, after the transaction, carry all financial obligations related to Polarcus 4 and Polarcus 6. The Company has an option to repurchase each of Polarcus Selma and Polarcus Alima from ZL at a price equal to the total remaining cost of completing each vessel for ZL. Also refer to Note 5 *Vessels buyback options* for more details of this sale transaction.

DWD holds 14.25% of the paid-in share capital of the Company as at 31 December 2009. Below is a summary of major transactions between DWD and the Group during the year ended 31 December 2009;

(In USD)	
Payments made in the year under ship building contracts	95,777,282
Amount due as of 31 December 2009 included in Accounts payable	13,802,031
Payable under the deferred payment arrangement as of 31 December 2009	29,138,415
Total payable (within 12 months period from 31 December 2009)	**42,940,446**
Accrued finance cost at the end of reporting period on deferred payments	1,087,064

12. Subsequent events

Polarcus Nadia commenced production

Polarcus announced 25 January 2010 that after a successful mobilization, the seismic vessel Polarcus Nadia has entered into production on its first project, offshore Liberia. The contract was the previously announced Seismic Charter Agreement that Polarcus entered into with TGS on 10 December 2009. The survey is being acquired with a 10 streamer seismic array, each streamer being 7,200 meters long and with 100 meters separation between streamers.

Nadia is now in full production in Liberia. The 10 streamer spread was deployed successfully and the first production shots were fired within 10 days of departing Monrovia. Production is progressing with daily revenues as per forecast. The vessel has proved she can tow a large spread efficiently and at good speed.

STRATEGY

Vision

"To be a pioneer in an industry where the frontiers of seismic exploration are responsibly expanded without harm to our world".

Core values

In support of the vision, a set of 'core values' define Polarcus' ethos and the way management, employees and contractors are expected to perform within the business:

Responsibility – for our actions, for each other, and for the environment and the world around.
Innovation – in business and in operations.
Excellence – in delivery for shareholders and clients alike.

Goal

"By 2012 to be the most environmentally responsible towed marine seismic service provider, with a strong focus on risk management and specializing in the high end 3D market and the Polar Regions whilst achieving 40% EBITDA margin, 10% market share and long term shareholder value".

Execution

Polarcus' has a nine point business execution strategy comprising the following key elements:

Pioneering the environmental agenda.
Optimize fleet configuration and composition.
Recruit, develop and retain the highest calibre industry professionals.
Develop a world-class service offering.
Maximize operational performance.
Develop and maintain an effective marketing and sales organization.
Build a strong risk management culture and ensure adoption in key decision making processes.
Optimizing financing requirements.
Establish an optimal organizational structure and cost control programs.

CONTACT DETAILS

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1. Polarcus Naila the second vessel to be delivered in the Polarcus fleet